

If you have a claim ...

If you are the victim of a theft or suffer an accident or loss to your home or property, contact your agent or insurance company to report the loss as soon as possible. You should be given complete instructions on how to proceed. The company may require written notice detailing information concerning the accident or loss. You will be required to protect your property against any further damage by making any needed emergency repairs such as covering broken windows or shutting off gas. Be careful of structural damage, escaping gas, or fallen wires. Keep track of any reference numbers assigned to your claim by the company.

If a non-company adjuster is assigned to you, make sure they are properly licensed and have identification. Hire only licensed and reputable contractors for repair work. Contact the Mississippi State Board of Contractors at 800-880-6161 or visit their Internet site at www.msdoc.us.

MISSISSIPPI INSURANCE DEPARTMENT

Internet: www.mid.state.ms.us
Mail: P.O. Box 79, Jackson, MS 39205-0079
Street: 501 N. West St., Suite 1001,
Jackson, MS 39201

Phone: 601-359-3569
Statewide Toll-Free: 800-562-2957
Consumer Services Fax (Complaints): 601-359-1077

Homeowners Insurance Consumer's Guide



Mike Chaney

Insurance Commissioner
State Fire Marshal

MISSISSIPPI INSURANCE
DEPARTMENT

Buying Homeowners Insurance

Most people do not think about homeowners insurance until they experience a loss. Homeowners' insurance can protect you from significant financial loss by providing a package of both liability and property coverages.

Whether you own a home, condominium or mobile home, rent an apartment, or live on a farm, homeowners insurance is valuable protection that you should not be without. Your home probably is your largest and most important investment. A homeowners policy will help you protect that investment. Most lenders require that you have homeowners insurance in place in order to protect their interest.

Basic coverages included

The homeowners insurance policy is a package of different coverages contained in a single policy, making it cost-efficient to buy. There are five types of coverages contained in the homeowners policy:

- **property damage coverage** protects your home or belongings if they are damaged or destroyed by certain perils.
- **liability coverage** protects you against a claim or lawsuit resulting from (non-auto) bodily injury or property damage to others caused by your negligence.
- **medical payments coverage** will pay for medical treatment for persons accidentally injured on your property and certain situations away from your home whether or not you were at fault.

- **additional living expenses coverage** will pay for you to move into a motel or apartment temporarily and will cover certain other additional living expenses when you cannot live in your home because of damage that is covered by your policy.
- **other coverages** provide coverage for the contents of your home, other structures on your property, and trees and shrubbery.

Types of coverage

The homeowner's insurance packages most commonly offered in Mississippi are HO-3 (special form), HO-4 (renters insurance) HO-5 (comprehensive), HO-6 (townhouse/condominium) and HO-8 (modified coverage form). Coverage types differ based on the number of perils (causes of loss) covered. The more perils your policy covers, the higher its cost. Policies may be of the "named peril" type, the "all risk" or "open perils" type, or a combination of the two.

Buying the correct amount of coverage

You need to purchase enough homeowners insurance to protect the structure and your personal possessions in the event of a loss. First, you should determine what it would cost you to replace your house. You can hire an appraiser to estimate how much it would cost to rebuild your home if it were totally destroyed. Because appraisals are expensive, however, you may want to rely on advice from your insurance agent. Most agents have charts and home replacement cost estimation procedures to help you determine how much insurance that you need.

You should purchase an amount of insurance on your dwelling at least equal to 80 percent of its replacement cost. Replacement cost is the amount needed to rebuild your home or repair damages using materials of similar kind and quality without deducting for depreciation. Replacement cost can be considerably higher than the price you originally paid for your home.

If you purchase insurance for less than 80 percent of the replacement cost of your home, your insurance company will not be obligated to pay the total cost less deductible of a partial loss to your home. In this scenario, you will be entitled to the larger of (1.) the “actual cash value” of the loss, or (2.) a prorated value of the loss based on the ratio of the amount of insurance that you purchased compared to the amount of insurance that you should have purchased. “Actual cash value” is the amount it would take to repair or replace the structure minus depreciation due to age and normal wear.

A homeowners policy insures personal property on an actual cash value basis. Limits are normally 50 percent of the policy limit of the structure value. The policy provides more limited coverage for personal property if it is stolen or damaged away from home or while you are on vacation. Coverage is limited to very small amounts for certain types of property that are especially susceptible to loss, such as cash, securities, jewelry, furs,

manuscripts and stamp or coin collections. Additional coverage for these and other high-value items can be obtained by purchase of a scheduled personal property endorsement.

Update your home inventory

Keep an itemized, updated list of personal belongings and home furnishings, including costs, purchase dates and serial numbers. You can simply list items on sheets of paper, or use household inventory computer software. Such programs are included as part of many home finance software packages; others can be downloaded from the Internet free of charge. Keep receipts for big-ticket items along with your inventory records. Your insurance company may require proof of the cost of an item for which you make a claim. It is an excellent idea to make photographs or videotapes of your possessions along with the itemized inventory.

Having a well-documented inventory will help you get an accurate insurance settlement and/or tax deduction for losses. Store these and other important insurance papers in a water- and fire-proof container or, preferably, a safety deposit box. To ensure quick and convenient access to this information, make a card for your wallet that includes the name of your insurance company, location of inventory records, and agent or company telephone numbers for reporting claims.

Keeping your coverage current

One of the most common mistakes made by

homeowners and tenants is failing to keep the amount of their coverage current each year. It is important to undertake an annual review of your homeowners insurance coverage to be certain that it is adequate. Some considerations include inflation, which increases the value of your home, any improvements that you make to your home, or additional significant personal possessions that you may acquire.

Some companies offer inflation guard endorsements that cause your structure value limits to increase automatically for inflation in order to maintain 80 percent of replacement cost. The most complete coverage for your home is provided by the replacement cost guarantee endorsement. It provides coverage equal to 100 percent of replacement cost.

Deductibles

Most homeowners policies sold in Mississippi have an optional deductible amount. Under this arrangement, you pay the deductible amount out of your pocket to repair damage to your home or its contents before the insurance company pays the claim. This deductible does not apply to claims under the liability or medical payments coverages. If you elect to purchase a policy with a larger deductible amount, your annual premium will be less, but you will have to pay more out of your own pocket each time a loss occurs. If you choose a smaller deductible, your premium will be significantly higher.

Shopping for homeowners insurance

Mississippi has a competitive homeowners

insurance market, with companies offering a range of different plans to meet consumers needs. When shopping for home insurance, premium quotations are a useful tool to compare different companies’ rates. Remember, competition only works if the consumer shops for coverage. To get accurate quotes, be prepared to provide:

- a description of your house.
- the distance from nearest fire department and fire hydrant.
- the square footage of your home.
- any security devices installed.
- a photograph of your home.
- the coverages and limits that you want.

Price should not be the only criteria. You also should consider each companies’ reputation for financial stability, policyholder service, as well as underwriting and claims handling practices.

Flood insurance

Standard homeowners insurance does not provide coverage for damage due to floods. Depending on your home’s location, you may qualify for flood insurance. If your home is located in a flood plain, your lender should require flood insurance. But, just because your home is not in a designated flood plain, don’t assume you will never incur flood damage. Federal flood insurance is sold through the National Flood Insurance Program (NFIP) by insurance agents. To obtain coverage, contact your agent, or, if you do not have an agent, call the NFIP at 1-888-FLOOD29.



Need help?
Contact MID at
800-562-2957